

## Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /045 R

DRAFTED BY EB/FTD:AJWILLIAMS:HM

APPROVED BY EB/FTD:CANGEVINE

USDA - JBUTLER

EA/ROC - HENGLBRECHT

----- 036033

R 121626Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 087711

E.O11652:GDS

TAGS: ETRD, TW

SUBJECT:COTTON CONTRACT PROBLEM

REF: A) STATE 33033 B) TAIPEI 1973 C) STATE 72730

D) TAIPEI 2158

1. APPRECIATE EMBASSY'S EFFORTS DISCUSSED REF D TO RESOLVE TAY I PROBLEM, AND REQUEST EMBASSY REPORT ANY CHANGE IN STATUS OF CONTRACT AND ANY ADDITIONAL REPRESENTATIONS EMBASSY MAKES REGARDING THIS MILL.

2. WE DO NOT SHARE FREIDMAN'S VIEW REPORTED REF C THAT USG HAS RECENTLY SHOWN LACK OF INTEREST IN COTTON CONTRACT PROBLEM. HOWEVER, FREIDMAN CABLE REFLECTS FRUSTRATION OF US SHIPPERS CAUSED BY LACK OF PROGRESS OVER RECENT WEEKS: NO L/C'S ON ANNEX CONTRACTS HAVE BEEN OPENED DURING THIS CALENDAR YEAR. (ALTHOUGH THERE HAVE BEEN CANCELLATIONS). IN ADDITION, WE HAVE  
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NOT BEEN ABLE TO GIVE SHIPPERS ANY INDICATION OF

GENERAL NATURE OR FREQUENCY OF REPRESENTATIONS EMBASSY HAS MADE WITH GROG THIS SUBJECT. WE UNDERSTAND AND WILL PROTECT CONFIDENTIALITY OF THESE REPRESENTATIONS, BUT IT IS VERY USEFUL FOR US TO BE ABLE TO STATE CATEGORICALLY THAT THE ISSUE IS BEING SPECIFICALLY PURSUED.

3. WE WOULD APPRECIATE WHEN REPRESENTATIONS ARE MADE (PER PARA 3 REF D), PARTICULARLY AT HIGHER LEVELS, EMBASSY REPORT NATURE, TENOR AND RESULTS OF REPRESENTATIONS. MORE FREQUENT LOWER LEVEL REPRESENTATIONS COULD BE REPORTED PERIODICALLY. SPECIFICALLY, REQUEST EMBASSY: (A) INVESTIGATE STATUS REGARDING GROUP II MILLS (PARA 3, REF B) TO DETERMINE IF SANCTIONS ARE HAVING EFFECT; OR, IF SANCTIONS ARE INEFFECTIVE, WE WOULD APPRECIATE EMBASSY ASSESSMENT OF WHY THIS IS SO. WE DO NOT UNDERSTAND HOW THESE MILLS CAN CONTINUE TO OPERATE OVER FIVE MONTH PERIOD UNDER SANCTIONS AS STRICT AS THOSE GROG SAYS THAT IT IS IMPOSING. (B) WITH REGARD TO YUNG LONG IN CATEGORY I, WE WOULD APPRECIATE KNOWING IF BOFT IS ENCOURAGING ARBITRATION TO RESOLVE DISPUTE. WE DO NOT WISH TO JUDGE VALIDITY OF MILL'S OR SHIPPER'S CLAIM IN DISPUTE, BUT WE DO BELIEVE WE CAN AND SHOULD, VIGOROUSLY PRESS FOR ARBITRATION.

4. WE ARE PARTICULARLY CONCERNED THAT SO LITTLE MOVEMENT IS BEING SHOWN WITH REGARD TO CATEGORIES I AND II. US SHIPPERS COMPLAIN TO US THAT THEY SEE NO INDICATION THAT BOFT IS CONTINUING TO PURSUE CONTRACT PROBLEM WITH THESE MILLS. WE DO NOT ACCEPT SHIPPERS' EVALUATION OF SITUATION IN TAIPEI AT FACE VALUE, BUT SINCE L/C'S ARE NOT BEING OPENED AND IN ABSENCE OF SPECIFIC INFORMATION REGARDING BOFT ACTION AND EMBASSY REPRESENTATION, US SHIPPERS ARE NOT EASILY PERSUADED THAT PROGRESS IS BEING MADE. REPORT PROMISED PARA 4 REF (B) WILL HOPEFULLY AID IN THIS TASK. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEDICAL CARE, MEETINGS, EMERGENCY PLANNING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE087711  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** AJWILLIAMS:HM  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760138-0514  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1976/newtext/t19760471/aaaacify.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 33033, 76 TAIPEI 1973, 76 STATE 72730  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAY 2004 by ShawDG>; APPROVED <22 SEP 2004 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OTTON CONTRACT PROBLEM  
**TAGS:** SENV, NO, CCMS  
**To:** TAIPEI  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006